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THE IRON ORE TRUST.

BY

BOLTON HALL.

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THE IRON ORE TRUST.

HAS RAISED PRICES 100 PER CENT.

The Bessemer Ore Producers' Association. Who compose it? Tariff adds to its Power to fix Prices. Supreme Court Decision disregarded by those in Trusts and Combinations.

By BOLTON HALL.

The United States Supreme Court decided on December 4 that the combination, or pool, of the six corporations engaged in manufacturing water and gas pipe was a trust and that, therefore, the agreement between them was void. This case, known as the Addyston Pipe Case, has been in the courts since 1894. By the agreement the six leading pipe manufacturers divided the United States among themselves. Each company was allotted certain territory in which all the other companies were permitted to make bids on contracts but only under the supervision of the company in charge of the district. In unallotted territory the pool would determine the price to be paid by the consumer and would auction off, to the highest bidder, the privilege of supplying pipe at this price. The bonus thus derived, which sometimes amounted to $9 per ton and averaged about $6, was divided among the members.

FUTILITY OF ANTI-TRUST LEGISLATION.

This famous case and decision is the first under the Anti-trust Act of 1890 which involves restraint of trade by agreement between manufacturing companies in different States. It is regarded as highly important. But what does the decision affect? It does not touch the big corporations that own factories, and perhaps mines, in many different States, and without agreement with other corporations arbitrarily fix prices. Neither is it made to apply generally

to all interstate commerce agreements between industrial concerns. In fact it does not affect the status of the original pipe companies, which are now parts of big corporate trusts; nor does it seriously alarm any of the price-fixing combinations in force between hundreds of producing and distributing companies.

This decision, like nearly all former decisions whether based on common or on statute law, is adverse to trusts. Nevertheless, all kinds of combinations are more numerous and effective than ever before. But little attention is paid to either anti-trust legislation or anti-trust decisions.

Thus, the day after the decision was announced, the trust mill was grinding as busily as ever. We read that the sheet iron and steel manufacturers were about to call a meeting to form a trust; that the structural iron men would soon hold a meeting for the same purpose; that trusts were about to be formed in naval stores, hats, etc. A few days before we read that the Bessemer Ore Producers' Association had advanced prices 100 per cent. This association, like the Anthracite Coal, Steel Rail and many other trusts, appears to be essentially, if not legally, very much like that of the pipe manufacturers which has just been declared to be illegal. Thus far no one has even intimated that this ore combination is to quit fixing prices because of this decision. And why? Because all sensible men recognize that it is in the power of a few mine owners, shippers and sellers to fix prices and that while they have this power they will exercise it. This power comes first from their monopoly, through ownership and lease of the principal mines; and, second, from the tariff duty on imported ore, which prevents extensive competition from Canada, Cuba and Spain, where there are within easy reach valuable mines of ore especially valuable for mixing with some of our Atlantic Coast ores.

THE ORE PRODUCERS' TRUST.

The Bessemer Ore Producers' Association, which has annually for many years fixed prices and allotted outputs to various companies, usually meets in Cleveland, Ohio. This year they held meetings the last week in November and fixed the basic price of Bessemer ore delivered at lake ports at $5.50 per ton. The past year's price was $2.90, which was 15 cents higher than 1898 prices. Prices in 1900, therefore, will be just double those of 1898.

Some of the principal shipping and selling companies which compose this ore association are: —

M. A. Hanna & Co.	Ogleby, Morton & Co.
Pickands, Mather & Co.	Corrigan, McKinney & Co.

The principal mining concerns interested and represented in the association are the

Oliver Iron Mining Company, five-sixths of which is owned by the Carnegie Steel Company and one-sixth by the National Steel Company;

The Minnesota Iron Company, now owned by the Federal Steel Company;

The Chapin Mining Company, the National Steel Company interests;

The American Mining Company, the mining end of the American Steel and Wire Company.

During the same week the non-Bessemer Producers of the Lake Superior region met in Cleveland and fixed a base price of $4.25 for 1900 as against $2 for 1899. These producers are largely the same companies which compose the Bessemer Association. Three-fourths of our ore product comes from the upper-lake region. When prices are established on this large output, — over 17,000,000 tons, — they are also fairly well determined for most other regions.

WHO POCKET THE PROFITS.

How the price is divided among mine owners, ore producers, and ore transporters is indicated by the Carnegie agreement with the mining and transportation companies. Mr. Carnegie, through the Oliver Mining Company, has leased some of the mines owned or leased by the Rockefellers. Thus the Tilden mine is leased for fifty years at a bonus price of $500,000, and a royalty of 50 cents per ton, or a minimum yearly amount of $200,000. The Tilden Company pays a royalty of 25 cents per ton to the fee owners of the mine and pockets the other 25 cents.

The ore must be hauled to Duluth (74 miles) on the Duluth, Mesaba & Northern Railroad — owned by the Rockefellers — at a charge of 80 cents per ton. Probably 50 cents of this amount should be charged to royalty, and would be if it were not considered good policy to cover up the actual royalties paid to private

companies, in order to lower the royalties paid for State mines. The rate of $1.25 per ton has been practically fixed by the lake shippers. The Rockefellers own and control nearly one-half of the ore-carrying boats and therefore get $1.25 for lake transportation instead of 45 cents that they got one year ago and an average of about 70 cents that they got in 1899. The cost of mining and loading the ore varies from about 7 to 50 cents, averaging perhaps 30 cents. Thus the actual cost of laying ore down in Cleveland is about $1 per ton. The remaining $4.50 is to pay the monopoly charges of the owners of mines, railroads, docks and boats. If 20,000,000 tons of ore are produced in the lake region next year the bonus to monopoly will amount to $90,000,000. This bonus will easily be increased to $100,000,000 by other districts.

TARIFF PARTLY RESPONSIBLE FOR MONOPOLY PRICES.

While the tariff is not responsible for the greater part of this monopoly charge, it is responsible for some of it. Vast mines of iron ore exist on the Canadian side of the lakes, in and near Nova Scotia, in Cuba and in Spain, all of which have been drawn upon by this country and would be drawn upon more heavily but for the duty of 40 cents per ton.

Our imports for the last ten fiscal years have been as follows:—

IMPORTS IRON ORE.

Year.	*No. Tons.*	*Value.*	*Average price per ton.*
1890	1,157,395	$2,415,714	$2.09
1891	955,517	2,430,159	2.54
1892	1,003,787	2,592,461	2.58
1893	683,056	1,242,797	1.82
1894	218,550	388,720	1.79
1895	262,205	379,682	1.45
1896	776,283	1,220,612	1.57
1897	543,241	778,084	1.43
1898	352,455	470,089	1.33
1899	269,113	403,298	1.50
Total	6,221,602	$12,321,616	$1.98

The high price for ore in 1899 will probably result in the importation of millions of tons of ore next year. Thus the *Iron Age* of November 30 says, that "Pilling & Crane, of Philadelphia, have,

during the past week, sold for spring delivery between 175,000 and 200,000 tons of Newfoundland ore to nine different concerns in Eastern Pennsylvania." But, whatever the price of this imported ore in the open market, our consumers must pay 40 cents a ton duty in addition to that price. This reduces by 40 cents the force of the competition which the trust ought to be obliged to meet and therefore enables the trust to extort 40 cents a ton more for its ore than it could extort if it were not for the tariff. But little ore is now brought across Lake Superior from the Canadian side. The removal of the duty would probably result in extensive competition from this quarter and afford some relief from the exactions of the trust.

But the district which now suffers most from the duty on ore, because the duty bars its only avenue of escape from the trust, is the eastern section of the United States. This section produces considerable non-Bessemer iron and needs only large supplies of cheap Bessemer ore to enable it to make Bessemer steel. As early as 1890, Major L. S. Bent, President of the Pennsylvania Steel Company, said to the House Ways and Means Committee, "Give me free ore and I will sell pig iron in Liverpool and send steel rails to London."

Because of the duty, the mills of the Pennsylvania Steel Company at Steelton, Pa., and at Sparrows Point, Md., have been idle much of the time during the last eight years; while many Eastern mills have been permanently closed and the iron and steel industry of New England has become almost extinct. Without tariff restrictions iron and soft coal would be as cheap in Boston as in Pittsburg. With tariff restrictions New England's iron and steel industry exists only by consent of the iron and coal trusts of Pennsylvania and the lake district. These trusts have always insisted that tariff duties should be retained.

It is evident that, while the removal of the duty on iron ore might not kill the ore trust, it would at least cripple it somewhat, and prevent it from extorting quite such excessive prices from all sections of the country. As in the cases of so many other trusts it is clear that the first step in their treatment should be the removal of tariff duties. This would clear the way and would show how much of the trust evil was tariff and how much something else, which would require different treatment.

In view of the monopoly uses which the various iron and other trusts are making of the tariff there is good reason why all duties

on products controlled by trusts should be repealed. Delay in taking the duties off simply encourages trusts and monopolies, hinders the development of all industry and prevents the just distribution of products, which is the best guarantee of a stable government.

It is fair to assume that trusts will never be suppressed by statute law. The effective remedy for trusts and their evils must lie in the removal of the conditions that create and foster trusts. These conditions are the result of special laws and can be changed only by repealing special laws. One of these special laws gives us our tariff system, which, if it is not the mother of trusts, certainly fosters and protects them. Had tariff duties been abolished twenty years ago, we should not now have as many trusts and most of those formed would be innocent affairs incapable of fixing prices at exorbitant figures.

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